

## Vueling managed to improve its margin even amid strong fuel-price increases

### Highlights

**The implementation of the improvement plan started to show substantial results** on its two basic pillars, cost-base reduction and the increase in revenue per flight levels.

**Vueling increased total revenues by 24% in Q2** up to €111.8m, prompted by a 22.6% increase in the average revenue per passenger and a 16.9% increase in revenue per flight. Pure ancillary revenue increased by 89.8% and it already makes up over 15% of the company's overall revenues.

**H1 total revenue** reached €199.7m, a 33.4% increase with regards to the same period last year. Again, the main a 19% increase in income per passenger and a 67% increase in ancillaries were the main drivers.

**Ex fuel cost-base reduction allowed to totally offset oil-price hike.** Ex fuel costs were reduced by 15.6%, and in June Vueling managed its lowest cost-base ever. Ex fuel costs for the half-year were reduced by 14%.

**A remarkable start of GDS sales on June** led travel agents' sales to increase by 26% during the month.

**Vueling keeps its forecast of significantly improving results** for the whole of 2008 as compared to 2007, in spite of fuel prices.

### Summary table of results\*

	Second Quarter			Half-Year		
	2008	2007	% var.	2008	2007	% var.
Total revenues (€ '000)	<b>111,812</b>	89,866	24.4%	199,744	149,691	33.0%
Total expenses (€ '000)	<b>123,571</b>	103,467	19.4%	243,755	187,602	29.9%
Loss before taxes (€ '000)	<b>(12,486)</b>	(13,712)	(8.9%)	(44,868)	(33,727)	33.0%
Loss before taxes (%)	<b>(11.2%)</b>	(15.3%)	4.09pp	(22.5%)	(22.5%)	(0.07pp)
Revenue per passenger (€)	<b>74,47</b>	60,75	22,60%	67,85	56,84	19,40%

\*According to new Spanish GAAP. Non audited

## Business review

During Q2, Vueling initiated the implementation of its improvement plan, which started to yield substantial results during the period, mainly on its two pillars: cost-base reduction and revenue per flight maximization. The quarter took place amid a particularly adverse environment, with all-time high fuel prices, an increase that was totally offset by the management initiatives introduced by the company.

Even if passenger traffic during Q2 grew by 3.7% to 1.48m, total revenue per passenger increased by 22.6% to €74.47 per passenger, while revenue per flight did so by 17%. Total revenue thus increased by 24% to €111.8m, as compared to 89.8 million for the same period last year.

Vueling carried 2.9m passengers during the semester, a 16% increase with regards to the same period last year and total revenue grew by 33% to €199.7m.

At the same time, cost-saving initiatives led to an increasing aircraft, crew and route optimization. Such initiatives managed to lower ex fuel costs by 15.6% in relation to the same period last year, the biggest drop in the company's history.

Both the increase in revenue per flight and the reduction in ex fuel costs have led to an enhancement in unit margins during the quarter as well as the half-year. Loss before taxes has increased 33%, due to an increase in utilization and also to fuel-price increase.

The Company has undertaken a fleet-reduction programme whereby the fleet size has been reduced to 19 aircraft, down from 24 at the start of the year. Further reductions, down to 16 aircraft, will take place during October. Such reductions are a key element in order to improve results since it allows culling the least-profitable routes and so eliminating virtually every cost associated to them. It will be done via redeliveries and one-year subleases. The company has currently three subleased aircraft, and redeliveries will be done with no penalties: even though some costs related to the cancellation process may take place, these will not be relevant in the current operating context and the improvement in results the Company expects to obtain.

## Financial and operating statistics

	Second Quarter		
	2008	2007	% var.
<b>REVENUES</b>			
Total revenue (€ '000)	<b>111,812</b>	89,866	24.4%
Total income per passenger (€)	<b>74.47</b>	60.75	22.6%
Revenue per flight (€)	<b>9,412</b>	8,053	16.9%
Average pure fare per passenger (€)	<b>53.05</b>	45.52	16.5%
Average pure ancillary revenue per passenger (€)	<b>11.71</b>	6.39	83.1%
Total revenue per ASK (€ cents)	<b>5.48</b>	5.24	4.7%
<b>EXPENDITURES</b>			
Total expenditure (€ '000)	<b>123,571</b>	103,467	19.4%
CASK incl. fuel (€ cents)	<b>6.06</b>	6.03	0.5%
Fuel cost per ASK (€ cents)	<b>2.1</b>	1.34	56.8%
CASK ex fuel (€ cents)	<b>3.96</b>	4.69	(15.6%)
EBITDAR* (€ '000)	<b>3,510</b>	2,075	69.2%
EBITDAR margin (%)	<b>3.1%</b>	2.3%	0.8 pp
EBIT** (€ '000)	<b>(11,759)</b>	(13,600)	(13.5%)
EBIT margin (%)	<b>(10.5)</b>	(15.1)	4.6%
EBT*** (€ '000)	<b>(12,486)</b>	(11,712)	6.6%
EBT margin (%)	<b>(11.2%)</b>	(13.0%)	1.9pp
<b>OPERATIONS</b>			
ASKs (millions)	<b>2,039</b>	1,715	18.9%
RPKs (millions)	<b>1,415</b>	1,332	6.2%
Total flights flown	<b>11,880</b>	11,160	6.5%
Average aircraft in operation	<b>21</b>	20	5.0%
Average block hours per aircraft per day	<b>11.1</b>	10.2	8.8%
Average No. of flights per aircraft per day	<b>6.2</b>	6.1	1.6%
Seats flown ('000)	<b>2,138</b>	2,009	6.4%
Number of airports served during the quarter	<b>26</b>	23	13.0%
Average stage length (km)	<b>956</b>	931	2.7%
Total number of passengers ('000)	<b>1,480</b>	1,427	3.7%
Load factor (RPK/ASK)	<b>69.4%</b>	71.8%	(2.4pp)

All data in this presentation have been elaborated according to the Spanish GAAP

ASKs calculated according to the great-circle distance

## Principales magnitudes operativas y financieras acumuladas

	Acumulado semestral		
	2008	2007	% var.
<b>REVENUES</b>			
Total revenue (€ '000)	<b>199,744</b>	149,691	33.0%
Total income per passenger (€)	<b>67.85</b>	56.84	19.4%
Revenue per flight (€)	<b>8,302</b>	7,407	12.1%
Average pure fare per passenger (€)	<b>47.81</b>	41.51	15.2%
Average pure ancillary revenue per passenger (€)	<b>10.14</b>	6.06	67.5%
Total revenue per ASK (€ cents)	<b>4.84</b>	4.81	0.7%
<b>EXPENDITURES</b>			
Total expenditure (€ '000)	<b>243,755</b>	187,602	29.9%
CASK incl. fuel (€ cents)	<b>5.91</b>	6.03	(2.0%)
Fuel cost per ASK (€ cents)	<b>1.85</b>	1.30	42.3%
CASK ex fuel (€ cents)	<b>4.06</b>	4.73	(14.2%)
EBITDAR* (€ '000)	<b>(9,851)</b>	(8,260)	19.3%
EBITDAR margin (%)	<b>(4.9%)</b>	(5.5%)	0.6pp
EBIT** (€ '000)	<b>(44,868)</b>	(33,727)	33.0%
EBIT margin (%)	<b>(22.50%)</b>	(22.50%)	(0.07pp)
EBT*** (€ '000)	<b>(44,868)</b>	(33,727)	33.0%
EBT margin (%)	<b>22.5%</b>	22.5%	0.07pp
<b>OPERATIONS</b>			
ASKs (millions)	<b>4,216</b>	3,113	35.4%
RPKs (millions)	<b>2,778</b>	2,352	18.1%
Total flights flown	<b>24,059</b>	20,209	19.1%
Average aircraft in operation	<b>22.1</b>	18.2	21.4%
Average block hours per aircraft per day	<b>10.7</b>	10.3	3.9%
Average No. of flights per aircraft per day	<b>6.2</b>	6.1	1.6%
Seats flown ('000)	<b>4,330</b>	3,638	19.0%
Number of airports served during the quarter	<b>26</b>	23	13.0%
Average stage length (km)	<b>952</b>	929	2.5%
Total number of passengers ('000)	<b>2,896</b>	2,500	15.8%
Load factor (RPK/ASK)	<b>67.3%</b>	69,.5%	(2.2pp)

All data in this presentation have been elaborated according to the Spanish GAAP

ASKs calculated according to the great-circle distance